

TOWNSHIP OF MENTOR
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

TOWNSHIP OFFICIALS

Supervisor

Peter Canistra

Clerk

Yvonne Rensel

Treasurer

Phyllis Mattson

Trustees

Denise Leese

William J. Mickey

TOWNSHIP OF MENTOR

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Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

November 17, 2008

To the Township Board
Township of Mentor
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Mentor (the Township), as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 19-20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP

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MENTOR TOWNSHIP

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7693 S Straits Hwy
Indian River, MI 49749
Phone 231-238-0052

Denise Leese, Trustee
11429 Bilder Rd
Wolverine, MI 49799
Phone 231-525-8445

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Mentor Township annual financial report presents our discussion and analysis of The Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status remained stable over the last year.

Overall revenues were approximately \$112,000 are classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall expenses totaled \$77,400 for 2008, which is a decrease from 2007 due to the addition of a new steel roof on the township hall.

Overview of the Financial Statements

This annual report consists of three parts, management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the general fund (the only fund of the Township).

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of New Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases/decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the entity's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

Financial Analysis of the Township as a Whole

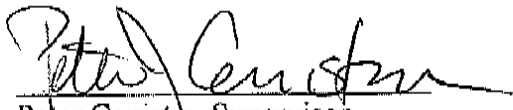
New Assets – the Township's net assets increased by \$34,838 during the year ended March 31, 2009 totaling at year-end \$229,742.

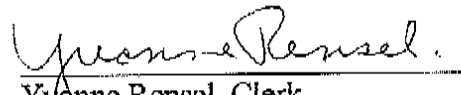
Known Factors affecting Future Operations

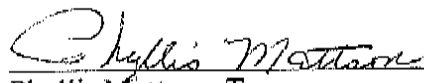
No Known Items.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board.


Peter Canistra, Supervisor


Yvonne Rensel, Clerk


Phyllis Mattson, Treasurer


Denise Leese, Trustee


William J Mickey, Trustee

**TOWNSHIP OF MENTOR
STATEMENT OF NET ASSETS
MARCH 31, 2008**

Assets

Current Assets:

Cash and investments	\$ 187,983
Total Current Assets	<u>187,983</u>

Non-Current Assets:

Property, plant and equipment, net	44,808
Total Assets	<u>232,791</u>

Liabilities

Current Liabilities:

Payroll withholding and liabilities	3,049
Total Liabilities	<u>3,049</u>

Net Assets

Invested in capital assets	44,808
Unrestricted	184,934
Total Net Assets	<u>\$ 229,742</u>

See accompanying notes to financial statements.

TOWNSHIP OF MENTOR
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

P R O G R A M R E V E N U E S

	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Township Administration	\$ 43,665	\$ 7,175	\$ -	-	\$ (36,490)
Assessing	10,143	-	-	-	(10,143)
Building and Grounds	3,626	-	-	-	(3,626)
Cemetery	260	-	-	-	(260)
Community Promotion	2,396	-	-	-	(2,396)
Elections	495	-	-	-	(495)
Fire Protection	18,749	-	-	-	(18,749)
Total Governmental Activities	\$ 79,334	\$ 7,175	\$ -	-	(72,159)
General Revenues:					
Property Taxes					27,844
State of Michigan Revenue Sharing (not restricted to specific purpose)					53,730
Swamp Tax					11,977
Miscellaneous					5,770
Interest Earnings					5,745
Total General Revenues					105,066
Change in Net Assets					32,907
Net Assets - April 1, 2007					196,835
Net Assets - March 31, 2008					\$ 229,742

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2008**

Assets

Cash and investments	\$ 184,169
Property taxes receivable - due from tax account	3,814
	<hr/>
Total Assets	187,983
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities -	
Payroll withholding and liabilities	3,049
Fund Balance -	
Equity	184,934
	<hr/>
Total liabilities and fund balance	\$ 187,983
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total fund balance - Governmental Funds (per Balance Sheet - page 7)	\$ 184,934
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>44,808</u>
Total net assets of Governmental Activities (per Statement of Net Assets - page 5)	\$ <u>229,742</u>

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2008**

Revenues:

Taxes and assessments	\$ 39,821
State Shared Revenues and Reimbursements	53,730
Charges for services	10,326
Other revenues	2,619
Interest	5,745
	<hr/>
Total Revenues	112,241
	<hr/>

Expenditures:

General government	56,783
Public safety	18,224
Highways and streets	-
Cultural	2,396
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Total Expenditures	77,403
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Excess of Revenues Over Expenditures	34,838
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Fund Balance - April 1, 2007	150,096
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Fund Balance - March 31, 2008	\$ 184,934
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See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

Net change in Fund Balances (per Statement of Revenues, Expenditures and Changes in Fund Balances - page 9)	\$ 34,838
Amounts reported for governmental activities in the Statement of Activities (page 6) are different because:	
Depreciation expense is recorded in the Statement of Activities, but not in the fund financial statements	(1,931)
Change in Net Assets of Governmental Activities (per Statement of Activities - page 6)	\$ 32,907

See accompanying notes to financial statements.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 1: ENTITY

The Township, organized in 1882, is a general law township of the State of Michigan, located in Cheboygan County. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Township.

JOINT VENTURE

The Wolverine Joint Fire Board is a joint venture created November 9, 1999 by Ellis, Mentor, Nunda & Wilmot Townships, Cheboygan County, Michigan. The Wolverine Joint Fire Board is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Wolverine. An individual township may withdraw from the agreement with a 12-month prior notice. The agreement expires April 1, 2010 and may be renewed, revised or cancelled by a separate majority vote of the townships participating at that time.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Wolverine. Each township appoints two Board members and an at large member is selected from the Village of Wolverine. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Joint Fire Board's boundaries include all of Wilmot and Nunda Townships and parts of Mentor & Ellis Townships.

The Wolverine Joint Fire Board is audited under separate cover. Financial statements can be obtained at the Mentor Township hall.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of The Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state revenue sharing and other inter-governmental revenues.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$28,166,832.

The tax rates for the year ended March 31, 2008, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.9828 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2008 there were over expenditures in Board of Review, \$252, Treasurer \$18, Communications \$30, Education \$40 and Dues \$111.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET (CONTINUED)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note 4.

USE OF ESTIMATES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
<u>\$ 149,813</u>	<u>\$ -</u>	<u>\$ 149,813</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Demand deposit accounts	\$ 62,941
Money market accounts	-
Certificates of deposit	<u>86,872</u>
	<u>\$ 149,813</u>

DEPOSITS

The bank balance of the Township's deposits is \$149,813, of which \$100,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 4: CAPITAL ASSETS

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,004	\$ -	\$ -	\$ 4,004
Capital assets being depreciated:				
Buildings	58,328	-	-	58,328
Data handling equipment	2,138	-	-	2,138
Land Improvements	9,091	-	-	9,091
Subtotal	69,557	-	-	69,557
Accumulated depreciation:				
Buildings	20,606	1,578		22,184
Data handling equipment	2,138			2,138
Land Improvements	6,008	353		6,361
Subtotal	28,752	1,931	-	30,683
Net capital assets being depreciated	40,805	(1,931)	-	38,874
Net capital assets	\$ 44,809	\$ (1,931)	\$ -	\$ 42,878

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township Administration
Buildings and Grounds \$ 1,931

NOTE 5: PENSION PLAN

The Township does not contribute to a pension plan.

NOTE 6: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage.

**TOWNSHIP OF MENTOR
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 5: CONTINGENCIES (CONTINUED)

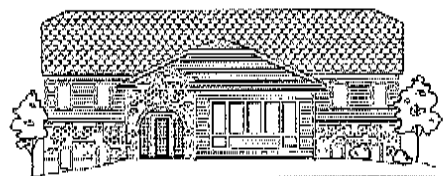
In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF MENTOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Current taxes	\$ 19,000	\$ 19,000	\$ 30,995	\$ 11,995
Property tax administration fees	6,000	6,000	7,175	1,175
Swamp tax	11,900	11,900	11,977	77
Interest	3,400	3,400	5,745	2,345
State revenue sharing	55,000	55,000	53,730	(1,270)
Summer tax collection reimbursement	1,900	1,900	-	(1,900)
Miscellaneous	2,200	2,200	2,619	(419)
Total Revenues	99,400	99,400	112,241	12,841
Expenditures				
General Government				
Wages:				
Trustee	4,000	4,000	4,000	-
Supervisor	4,800	4,800	4,800	-
Clerk	8,800	8,800	8,800	-
Assessor	8,800	8,800	8,800	-
Board of review	1,054	1,054	1,305	(251)
Treasurer	10,700	10,700	10,718	(18)
Elections	496	496	439	57
Fringe benefits	6,595	6,595	5,563	1,032
Office supplies	2,400	2,400	1,053	1,347
Postage	1,600	1,600	1,165	435
Meetings - per diem	3,350	3,350	1,929	1,421
Communications	100	100	130	(30)
Travel	1,850	1,850	642	1,208
Education	200	200	240	(40)
Bonds and insurance	2,900	2,900	2,602	298
Dues	600	600	711	(111)
Cemetery contractual	300	300	260	40
Building repairs and maintenance and utilities	9,200	9,200	3,626	5,574
Total General Government	67,745	67,745	56,783	10,962
Public Safety				
Fire protection	20,000	20,000	18,224	1,776
Total Public Safety	20,000	20,000	18,224	1,776
Highways and Streets	10,103	10,103	-	10,103

**TOWNSHIP OF MENTOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Total Highways and Streets	10,103	10,103	-	10,103
Social Welfare	3,000	3,000	2,396	604
Total Social Welfare	3,000	3,000	2,396	604
Total Expenditures	100,848	100,848	77,403	23,445
Excess (Deficiency) of Revenues over Expenditures	(1,448)	(1,448)	34,838	36,286
Fund Balance - April 1, 2007	150,096	150,096	150,096	-
Fund Balance - March 31, 2008	<u><u>\$ 148,648</u></u>	<u><u>\$ 148,648</u></u>	<u><u>\$ 184,934</u></u>	<u><u>\$ 36,286</u></u>



Keskine, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
November 17, 2008

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To the Township Board
Township of Mentor
Cheboygan County, MI

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Mentor (the Township) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

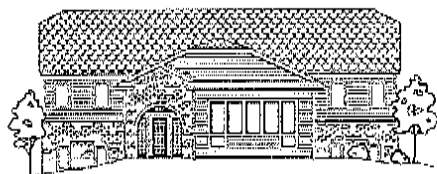
A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Mentor's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Alexander LLP
Keskine, Cook, Miller & Alexander LLP



Keskine, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 17, 2008

To the Township Board
Township of Mentor
Cheboygan County, MI

We have audited the financial statements of the governmental activities and the major fund of the Township of Mentor (the Township) for the year ended March 31, 2008, and have issued our report thereon dated November 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskine, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 17, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

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Comments and Recommendations

Budget

During the course of our audit we noted that the Township experienced overexpenditures for the elections, clerk and cemetery activities within the General Fund, in violation of the Uniform Accounting and Budgeting Act (P.A. of 1968, as amended). We recommend that the Township use its budgets as flexible management tools and amend when necessary to avoid overexpenditures.

Respectfully submitted,

Keskine, Cook, Miller & Alexander LLP

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